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TO RUEHC/SECSTATE WASHDC PRIORITY 5556
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RUEHBO/AMEMBASSY BOGOTA 4605
RUEHBR/AMEMBASSY BRASILIA 8507
RUEHBU/AMEMBASSY BUENOS AIRES 5731
RUEHCV/AMEMBASSY CARACAS 2957
RUEHPE/AMEMBASSY LIMA 3154
RUEHMD/AMEMBASSY MADRID 3648
RUEHMN/AMEMBASSY MONTEVIDEO 4953
RUEHQT/AMEMBASSY QUITO 5592
RUEHSG/AMEMBASSY SANTIAGO 0196
RUEHUB/USINT HAVANA 0640
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C O N F I D E N T I A L SECTION 01 OF 02 LA PAZ 002956

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TAGS: [ECON](#) [PGOV](#) [PREL](#) [EAID](#) [BL](#)
SUBJECT: MCC SCORECARD DELIVERED, DONOR RESTRICTIONS
DISCUSSED

Classified By: DCM Kris Urs for reasons 1.4 (b) and (d).

11. (U) On October 31, we delivered the Millennium Challenge Corporation (MCC) indicator scorecard to Graciela Toro, General MCC Coordinator in Bolivia and Ramiro Foronda, Economic Development Technician. Despite remaining eligible for a MCC Compact, Toro was puzzled by Bolivia's failure to receive a passing score on several indicators. In particular, she was upset that Bolivia was still "in the red" for the category of Fiscal Policy. She was unclear how Bolivia, which is running a budget surplus and directly provided the numbers used for the indicator, could still not be above the median for its comparison group. She was concerned that failure on this indicator could raise questions within the Bolivian government that the MCC process was not transparent. She promised to be in direct contact with the MCC to seek clarification. Toro also raised concerns that the measure of immunization rates was not accurate. She claimed that in direct conversations with the World Health Organization, she was told that Bolivia's rate of immunization should be 85%, not the 80% registered on the scorecard. On a positive note, Toro said that the indicators were used to motivate the GOB to try to improve its role in the time it takes to start a business.

Decree Raises Questions About MCC

12. (U) On October 10, the GOB issued a decree which could radically restrict foreign aid donations. In part this decree appears to restrict the use of third-party contractors and prohibit donations that are "ideological or political". When asked how this decree might affect an MCC Compact, Toro was dismissive. She said that the language prohibiting "ideological" assistance was too vague and would not have an impact on MCC funding. She also explained that the decree does not strictly prohibit third-party contracts. It only dictates that government agencies be given the opportunity to manage and carry out the projects first. If the appropriate agency does not have the sufficient capacity (as would be the case in for the road building contemplated by Bolivia's MCC proposal), then it may contract a third party.

¶3. (C) Per Embassy request, a subsequent meeting took place on November 5 between Ecoff, USAID representatives, and MCC lawyer, Carlos Hugo Pinilla to try to further clarify the decree. Like Toro, Pinilla interpreted the decree very optimistically, and in a way that would not inhibit in any way an MCC Compact. It was clear, however, that although the MCC is located within the Planning Ministry (which is charged with carrying out the decree), no meetings had taken place between MCC officials and higher level Ministry officials to help interpret the vague language of the decree. Furthermore, Pinilla stated that they were not consulted before the decree was issued and it took them by surprise. Finally, despite being part of the GOB and the foremost authorities on a possible \$600 million dollar aid package, Pinilla was unsure if he would be included in government discussions to formulate the all important regulations that will eventually accompany the decree.

Comment

¶4. (C) Graciela Toro's concerns about MCC indicator accuracy notwithstanding, Post is concerned that the GOB is increasingly departing from the strong market oriented, democratic policies which had positioned it well for MCC eligibility. For example, the new agricultural reform law (whose regulations were just approved August 2007) creates substantial bureaucratic requirements for farmers and promotes land expropriation for non compliance. Moreover, regulatory quality across all industries has deteriorated notably. As to ruling justly, recent executive actions against the judiciary illustrate a disregard for the rule of law. Moreover, the decree restricting donor activities,

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which contradicts existing international agreements, is of particular concern. As Bolivia continues to pursue MCC funding, we are worried about potential backsliding across a gambit of scorecard indicators.
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